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7 Attorney for Debtor: ARCON CONSTRUCTION CORPORATION  
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**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DISTRICT**

In re: ) Chapter 11  
ARCON CONSTRUCTION CORP. ) Case No. 24-30679  
Debtor ) Date: November 8, 2024  
 ) Time: 10:00 a.m.  
 ) Place: Telephone/Video  
 ) **[www.canb.uscourts.gov/calendars](http://www.canb.uscourts.gov/calendars)**  
 )  
 ) Judge: Hon. Dennis Montali  
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MOTION FOR AUTHORITY TO USE OF CASH COLLATERAL ON INTERIM BASIS

**I - INTRODUCTORY STATEMENT**

Debtor respectfully represents:

1. Debtor filed a petition for relief under Chapter 11 of the Bankruptcy Code on 09/13/24.

2. Debtor operates a general construction and development business that includes planning, design, general contracting and construction management. Since 1999, Arcon's strategy has been to provide a one-stop shop for homeowners, investors, and developers. The Debtor continues to manage and operate its businesses as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

1       3. Debtor has a generally successful construction business,  
2 showing gross sales of \$5,646,737 in 2022, \$5,581,487 in 2023, and  
3 \$2,424,872 at the time of the filing of this Chapter 11 case in  
4 2024.

5       Purpose for the use of the Cash Collateral

6       The purpose for the use of the cash collateral is to pay the  
7 Debtor's ordinary operating expenses, including, but not limited  
8 to, salaries, vendors, utilities, insurance, maintenance, etc.

9       Terms of the use of the Cash Collateral

10       Debtor plans to file a 3-5-year plan, the use of the cash  
11 collateral on an interim basis will be for the duration of the  
12 case until the earlier of (1) December 12, 2024, or (2) Debtor  
13 exits Chapter 11. No motion for authority to obtain credit is  
14 contemplated during the interim period.

15       Background

16       4. During the COVID pandemic, on or around May 20, 2020,  
17 Debtor received an SBA disaster loan for \$150,000, secured by the  
18 assets of the corporation. The agreed monthly payment on that note  
19 is \$731. The note has a first priority lien on debtor's business  
20 assets. The balance on the loan is \$132,748.

21       5. The other lien on the assets of the corporation is  
22 from the Internal Revenue Service. According to their proof of  
23 claim no. 7 filed on 10/03/24, the IRS has a secured claim of  
24 \$110,743.50 against the assets of the corporation. The claim was  
25 assessed on 08/21/23.

26       Treatment of liens

1 The following are the secured creditors with an interest in the  
2 cash collateral, in order of priority, with the proposed Adequate  
3 Protection payments for each lienholder.

	LENDER	PRIORITY	APPROXIMATE LIEN AMOUNT	ADEQUATE PROTECTION PAYMENT	APPROXIMATE VALUE OF COLLATERAL
6	A) Small Business Adm.	1	\$132,748.41	\$1,000.00	\$132,748.41
7	B) IRS	2	\$110,743.50	\$500.00	\$110,743.50
8	Total		\$243,491.91	\$1,500.00	\$243,491.91

9  
10 6. The Debtor had \$ 320,902 in cash at the time of filing  
11 its case, in addition to work in progress valued at \$581,937. As  
12 shown in its first operating report and the attached 6-month  
13 projections, the Debtor has cash to fund its operations.

14 7. In addition to its secured debt, the Debtor owes a  
15 priority debt of \$138,909.05 to the Internal Revenue Service and a  
16 priority debt of \$900.44 to the Franchise ax Board.

17  
18 The undersigned Certifying Professional has read the  
19 accompanying motion and the Cash Collateral - Post Petition  
20 Financing Introductory Statement; to the best of my knowledge,  
21 information and belief, formed after reasonable inquiry, the terms  
22 of the relief sought in the motion are in conformity with the  
23 Court's Guidelines for Cash Collateral and Financing Motions and  
24 Stipulations except as set forth above. I understand and have  
25 advised the debtor in possession that the court may grant  
26 appropriate relief under Rule 9024 if the court determines that a  
27 material element of the motion was not adequately disclosed in the  
28 introductory statement.

1 Dated: October 24, 2024

1 /s/ Eric Gravel

2 Attorney for debtor-in-possession

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## II - BUDGET

## ASSETS

3 At the time of the filing of the Chapter 11 case herein,  
4 Debtor had \$320,902 in its two bank accounts at American Express  
5 Bank and Wells Fargo Bank. Debtor's other principal asset is its  
6 work-in-progress in a \$14,994,000 project it entitles the  
7 "Saratoga Project" because it is located in Saratoga, California.  
8 The standard net income for a project of that size is 3-5% and  
9 Debtor values the remainder of the project at \$581,937. There is  
10 one year left to the Saratoga Project. Debtor receives payments of  
11 \$800,000 every 3 or 4 weeks, with a net profit margin of 3-5%.

## **LIABILITIES**

14       Against those assets are the work that remains to be done on  
15 the Saratoga Project over a one-year period; a disputed judgment  
16 for \$722,017 (a recent proof of claim in the amount of  
17 \$1,561,207.00 was recently filed regarding that lawsuit), other  
18 general unsecured claims in the amount of \$423,633, which include  
19 the Debtor's state court attorney fees of \$254,000; and the afore-  
20 mentioned secured claims and priority claims of the SBA, IRS and  
21 FTB.  
22

23 The projections for the 6-month period following the filing  
24 of the case are attached herewith as Exhibit 1. These projections  
25 will be superseded by the filing of a plan by December 12, 2024.

1 Exhibit 1 - 6-month projections  
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Case Name:

Case No.:

**PROJECTED POST-PETITION CASH RECEIPTS AND CASH DISBURSEMENTS**

## **FOR THE FIRST SIX-MONTHS BEGINNING:**

(date of filing MM/DD/YY)